

EXHIBIT 2



Subject: Equipment Burden and
Expendables and Supplies Costs

Equipment Burden:

The cost of owned equipment is allocated based on Local Management's estimate of the number of man-hours that will be worked during the year and the total budgeted equipment cost for the year. The estimated hourly rated is determined and the project is allocated the Equipment Burden based on this rate multiplied by the number of actual man-hours worked. The credits to these entries are coded to the Equipment & Facility Cost Centers for the respective District office.

Expendables and Supplies Costs:

Expendables and Supplies Costs are products and general material costs that are used on every job but are not specifically accounted for by each job. These products and materials are purchased in bulk, stored and used as needed in production. Due to the way the product is used and nature, it cannot be reused on future jobs. Local Management determines an hourly rate based on man-hours and Expendables and Supplies Costs are allocated to the project by multiplying this rate by the number of man-hours worked. The credits to these entries are coded to the Equipment & Facility Cost Centers for the respective District office.

Equipment & Facility Cost Center:

These cost centers accumulate all of the costs incurred in the utilization of all the equipment used in production. The costs include:

1. Labor Costs for the Maintenance of the warehouse and yard (Actual Direct Charges).
2. Parts & Supplies used to maintain, repair and to run our equipment. This also includes external repair services and the fuel to run our vehicles (Actual Direct Charges).
3. Equipment depreciation (Straight Line Depreciation).
4. Cost of any leased Vehicles and Equipment that is not used on a specific project (Actual Direct Charges).
5. Cost of Leasing and maintaining the warehouse and yard space (Actual Direct Charges).

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6. Taxes, License Fees and Insurance costs direct relating to equipment (Actual Direct Charges).
7. The "Other Costs" category includes:
 - Miscellaneous supplies used in production (inventoried and used as needed).
 - Cost of safety equipment related products such as hard hats, gloves, goggles, masks and Company paid portion of safety shoes (inventoried and used as needed).

Summary:

Costs are expended as needed and the Equipment & Facility Cost Center is charged monthly for the amounts of Equipment Burden and Expendables and Supplies Costs allocated to the projects during each month. If in a particular month, the net excess expended is greater than the amount charged to the projects, an under-utilization of equipment occurs and the excess cost expended is added to the District's Cost of Sales for the month. Should the amount allocated to the projects exceed the expenditures for the month, then an over-utilization of equipment occurs and the District's Cost of Sales is lowered by this amount.

During the period included in this claim the following rates were used:

		<u>Equipment Burden</u>	<u>Expendables & Supplies</u>
Wet-out		\$32.50	N/A
New England Crews	Through 02/28/04	\$35.00	\$6.00
	After 03/01/04	\$26.00	\$6.00
Benicia, CA Crews		\$34.00	\$6.00



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